

DISTRIBUTED ENERGY SYSTEMS CORP
 Form 4
 August 28, 2007

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 PERSEUS PARTNERS VII L P

2. Issuer Name and Ticker or Trading Symbol
 DISTRIBUTED ENERGY SYSTEMS CORP [DESC]

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
 08/24/2007

____ Director
 ____ Officer (give title below)
 10% Owner
 ____ Other (specify below)

C/O PERSEUS, L.L.C., 2099 PENNSYLVANIA AVE., N.W., 9TH FLOOR

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

WASHINGTON, DC 20006

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Price		
				Code	V	Amount	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Security (Instr. 3 and 4)		
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount
Senior Secured Convertible Promissory Note	\$ 0.57	08/24/2007		P	26,315,789 (1) (2)	08/24/2007	11/30/2008	Common Stock	2
Warrant	(4) (5)	08/24/2007		P	34,989,629 (4) (5)	08/25/2007	08/24/2012	Common Stock	3

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PERSEUS PARTNERS VII L P C/O PERSEUS, L.L.C. 2099 PENNSYLVANIA AVE., N.W., 9TH FLOOR WASHINGTON, DC 20006			X	
PEARL FRANK H C/O PERSEUS, L.L.C. 2099 PENNSYLVANIA AVE., N.W., 9TH FLOOR WASHINGTON, DC 20006			X	

Signatures

/s/ Kenneth M. Socha, Senior Managing Director
 **Signature of Reporting Person
 Date 08/28/2007

/s/ Kenneth M. Socha, Attorney-In-Fact for Frank H. Pearl
 **Signature of Reporting Person
 Date 08/28/2007

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) This number assumes full conversion of the senior secured convertible promissory note (the "Convertible Note") that was issued to Perseus VII in a transaction that closed on August 24, 2007 (the "August Closing"). The Convertible Note bears interest at a rate of 12.5% per annum, with such interest payable, in the Issuer's discretion, either in cash or in kind by the issuance of additional senior secured convertible promissory notes (the "Additional Convertible Notes"). The Convertible Note, and the Additional Convertible Notes will be convertible at any time into shares of common stock of the Issuer at a price equal to \$0.57 per share...(continued)
- (2) (continued)...Assuming that all interest payable on the Convertible Note is paid by the issuance of Additional Convertible Notes, that all Additional Convertible Notes are fully converted, and that neither the Convertible Note nor any Additional Convertible Note is prepaid, Perseus VII would receive an additional 4,463,886 shares of the Issuer's common stock upon the conversion of all such Additional

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Convertible Notes. The Convertible Note and the Additional Convertible Notes (if any) are due in full on November 30, 2008.

- All of the securities reported herein are held directly for the account of Perseus VII. Perseus VII is a Delaware limited partnership. Its general partner is Perseus Partners VII GP, L.P., a Delaware limited partnership. Perseus Partners VII GP, L.L.C., a Delaware limited liability company, is the general partner of Perseus Partners VII GP, L.P. The sole member of Perseus Partners VII GP, L.L.C. is Perseus, L.L.C., a Delaware limited liability company. Perseuspur, L.L.C., a Delaware limited liability company, is the managing member of Perseus, L.L.C. Frank H. Pearl, individually, owns 72.7% of Perseuspur, L.L.C. He also is the sole director and sole shareholder of Rappahannock Investment Company, a Delaware corporation, which in turn owns the remaining 27.3% of Perseuspur, L.L.C. By virtue of such control, Mr. Pearl may be deemed to have beneficial ownership of the shares that will be issued to Perseus VII.

- (3) On August 24, 2007 in connection with the August Closing, the Issuer granted Perseus VII a warrant (the "Subsequent Warrant") that allows Perseus VII to purchase a maximum of (a) 1,989,629 shares of common stock of the Issuer at an exercise price of \$0.80 per share, (b) 6,600,000 shares of common stock of the Issuer at an exercise price of \$1.00 per share, (c) 6,600,000 shares of common stock of the Issuer at an exercise price of \$1.50 per share, (d) 6,600,000 shares of common stock of the Issuer at an exercise price of \$2.00 per share, (e) 6,600,000 shares of common stock of the Issuer at an exercise price of \$2.50 per share, and (f) 6,600,000 shares of common stock of the Issuer at an exercise price of \$3.00 per share...(continued)

- (4) (continued)...The Subsequent Warrant is currently exercisable. Consideration for the Subsequent Warrant was the purchase by Perseus VII of the \$15,000,000 Convertible Note, which provided the Issuer with additional liquidity and allowed it to satisfy in full the \$12,500,000 senior secured promissory note that was previously issued to Perseus VII and all accrued interest on that note.

- (5) This number represents the 7,954,536 shares of the Issuer's common stock issuable upon exercise of a warrant that the Issuer granted to Perseus VII on June 1, 2007 (the "Initial Warrant"), as reported on a Form 3 filed on June 11, 2007, together with the 34,989,629 shares of the Issuer's common stock issuable upon exercise of the Subsequent Warrant reported on this Form 4. As with the Subsequent Warrant, the Initial Warrant is currently exercisable.

Remarks:

Mr. Socha is signing in his capacity as a Senior Managing Director of Perseus Partners VII GP, L.L.C., which is the general partner of Perseus VII.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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